



**ASX / MEDIA RELEASE  
FOR IMMEDIATE RELEASE  
27 October 2011**

**CROWN LIMITED  
2011 ANNUAL GENERAL MEETING  
CHAIRMAN AND CHIEF EXECUTIVE OFFICER ADDRESSES  
JAMES PACKER AND ROWEN CRAIGIE**

**PRESENTATION OUTLINE**

Before we move to the formal business of today's meeting I would like to invite our CEO, Rowen Craigie, to provide you with a summary of Crown's recently reported results, a snapshot of Crown's current trading and an update on our \$2.2 billion capital expenditure program.

I then propose to outline Crown's recent employment and training achievements, provide an update on the competitive environment in the Asian region and discuss the role of integrated resorts and Asian tourism. Finally Rowen will discuss the Federal Government's proposed gaming machine reforms. So I will now hand over to Rowen.

**F11 YEAR IN REVIEW**

Thank you, James. Welcome everyone.

**CROWN LIMITED GROUP F11 RESULT**

The full details of Crown's results for the 2011 financial year were provided in our ASX release and presentation in August and in our Annual Report which was sent to shareholders last month.

However, I will provide an overview of the main financial results here.

Normalised NPAT was \$340 million which was up 18% on the previous year. Normalised EBITDA was \$665 million, up 1.2% on the previous year. Overall, the results for Crown's wholly-owned Australian casinos, Crown Melbourne and Burswood, were mixed, while our Macau joint venture continued to strengthen its performance.

**CROWN MELBOURNE AND BURSOOD F11 RESULTS**

At Crown Melbourne and Burswood, main floor gaming revenue grew 5.6% to \$1.34 billion. Our local casino operations were impacted by a softening in consumer sentiment and both properties continued to be affected by our substantial redevelopment and refurbishment program.

Non-gaming revenue across both properties grew by 10.6%, which included the first full year of operation of the Crown Metropol hotel here in Melbourne.

Crown Melbourne and Burswood felt the impact of the competition from the two new Singapore integrated resorts. Burswood, in particular, saw reduced VIP program play revenue as a result of that increased competition and the fact that construction of its new VIP facilities are not yet complete. Crown Melbourne benefited from the completion of some of the capital refurbishment projects.

VIP program play revenue in Australia decreased 0.2% to \$535 million. However, the year on year growth rate in VIP program play improved in the second half with the implementation of Crown's strategy to source new customers from China, partially offsetting the impact of competition from the two Singapore integrated

resorts. The win rate on VIP program play at both properties of 1.31% was below the theoretical or expected long-term win rate of 1.35% resulting in a negative variance to theoretical EBITDA of \$13.6 million.

The overall operating margin decreased from 30.0% to 29.0%. The margin decrease was principally due to the impact of the refurbishment disruption, the increase in gaming machine tax in Victoria and lower VIP margins. Consequently EBITDA from the Australian casinos only grew by 1.8% in F11.

### **CROWN MELBOURNE NORMALISED EBITDA TREND**

Crown Melbourne achieved EBITDA growth of 6.5% in F11.

Since the acquisition of Crown Melbourne by Crown Limited (formerly PBL) in 1999 normalised EBITDA at Crown Melbourne has grown 163%.

### **BURSWOOD NORMALISED EBITDA TREND**

Burswood was acquired by Crown in 2004. Normalised EBITDA has grown 109% over the seven years to F11.

However, in F11 Normalised EBITDA at Burswood slipped 8.6% on the previous year due to the impact of increased competition from the two new integrated resorts in Singapore and refurbishment activity at the property.

### **CROWN MELBOURNE AND BURSWOOD VIP PROGRAM PLAY TURNOVER TREND**

Crown's international VIP program play turnover has increased 66% over the last six years, as illustrated in this chart. In F11 there was no growth in VIP program play turnover due to the competition from the two integrated resorts in Singapore.

### **MELCO CROWN ENTERTAINMENT UPDATE**

Let me move now to Crown's investment in Macau, Melco Crown Entertainment.

Melco Crown Entertainment, in which we hold a 33.4% stake, reported good progress during the financial year.

Crown's equity accounted share of MCE's reported profit for the year was \$34.9 million. Crown's share of MCE's normalised result for the year was \$19.2 million, after adjusting for Crown's share of an above theoretical win rate and pre-opening expenses. This pleasing result is attributed to the significant improvement in operating performance at City of Dreams and Altira Macau.

In July 2011, MCE completed the acquisition of a 60% equity interest in the Macau Studio City development project, a large scale integrated gaming, retail and entertainment resort to be developed in Macau jointly by MCE and New Cotai Holdings. The focus for this resort will be on delivering innovative entertainment attractions based on the "Studio City" concept. When complete, Macau Studio City will meaningfully increase MCE's presence on Cotai in Macau.

In August 2011, MCE announced that it had applied to the Stock Exchange of Hong Kong (SEHK) for a proposed dual listing of its shares. MCE's shares are currently listed on the NASDAQ. The proposed dual listing, when completed, would put MCE on a par with its competitors and would provide MCE with additional sources of capital. The proposed dual listing is subject to a number of approvals, including SEHK approval and MCE board approval, as well being subject to market conditions.

### **MACAU GAMING REVENUE TREND**

MCE has a positive outlook on the overall Macau market.

An analysis of Macau's quarterly gaming revenue for the last five years (from the third quarter in 2006 to the second quarter in 2011) shows gaming revenue in Macau has grown at a compound annual growth rate of 34.7%. Total gaming revenue in Macau is now more than five times the quantum of gaming revenue generated on the Las Vegas strip, and continues to exhibit very strong growth.

## **DIVIDEND**

On 14 October we paid a final dividend of 19 cents per share, franked to 50%, bringing the full year dividend to 37 cents per share. Going forward, it will continue to be our policy to pay the higher of 37 cents per share and 65% of normalised net profit after tax (excluding profits from associates) as a full year dividend, subject always to Crown's financial position.

## **SHARE BUY-BACK**

On 7 October Crown completed an on-market share buy-back of 30 million shares, representing four percent of Crown's shares on issue. The buy-back was completed at a cost of \$238 million or just under \$8 per share. The Crown Board believes the buy-back was an appropriate use of Crown's strong balance sheet and that it will be earnings per share accretive for shareholders.

## **RECENT TRADING UPDATE**

Now, let me update you on more recent trading at Crown Melbourne and Burswood.

## **CURRENT TRADING: CROWN MELBOURNE AND BURSWOOD**

Across Crown Melbourne and Burswood, during the first 16 weeks of the current financial year (i.e. from 1 July to 20 October) revenue from main floor gaming (excluding VIP program play) is up 3.5% on the previous corresponding period.

Non-gaming revenue has grown 8.1% on the previous corresponding period.

Crown retains a cautious outlook for our domestic business given the general softening in consumer sentiment and recognises the need to carefully manage the continuing disruption to its customers from the redevelopment and refurbishment programs.

VIP program play activity across the two Australian casinos has been encouraging since the start of the new financial year with double digit revenue growth over the first 16 weeks compared to the same period last year, albeit at a lower margin.

## **CROWN'S CAPITAL EXPENDITURE PROGRAM**

I would now like to provide you with a progress report on Crown's \$2.2 billion capital expenditure program.

Significant progress has been made on the redevelopment and refurbishment programs at both properties, with Crown Melbourne, in particular, benefiting from the completion of some of the projects during F11.

## **INVESTMENT IN LARGE SCALE TOURISM ATTRACTIONS – SLIDE 16**

Australian investment in large scale tourism attractions has been relatively modest in recent years. In contrast, Crown has been and continues to be a significant investor in Australian tourism infrastructure.

This slide shows the breakdown of our historical and projected capital expenditure across Crown Melbourne and Burswood over the 7 year period to F13.

Across both Australian properties, Crown has already spent approximately \$1.5 billion in total capital expenditure over financial years 2007 to 2011. In the current financial year 2012, capital expenditure of approximately \$540 million is forecast to be spent at Crown Melbourne and Burswood.

I will now show you some images of the major projects that have recently been completed or are still under development.

## **PROPERTY UPDATE: CROWN MELBOURNE –MAHOGANY ROOM EXPANSION**

This slide shows some external views of the new Mahogany Room expansion here in Melbourne and clearly illustrates the scale of the extension.

This next slide shows the exceptional quality of the interior. The new design takes advantage of the site's unparalleled Yarra river frontage, including outside lounge and bar areas which flow into the naturally lit

gaming floors. The extension includes a new Mahogany Restaurant, three private gaming salons, 170 plus gaming machines and 70 plus tables.

The renovations have been finished to the highest quality whilst ensuring functionality and optimal space utilisation. The refurbishment has been exceptionally well received by our VIP customers since it opened last week.

#### **PROPERTY UPDATE: CROWN MELBOURNE – WEST END**

The images on this next slide illustrate the planned development of the Crown Melbourne “West End”, a new gaming, restaurant, cafe, bar and entertainment precinct that is expected to be open by the third quarter of 2012. The precinct will have a light and contemporary feel and utilise some of the increase in table games granted to Crown Melbourne under the licence arrangements approved by the Victorian Parliament in 2009.

#### **PROPERTY UPDATE: CROWN MELBOURNE – NEW RESTAURANTS**

A number of new restaurants opened at Crown Melbourne in F11. Neil Perry’s The Waiting Room and Spice Temple opened in late 2010, while The Atlantic and the new Bistro Guillaume opened in the second half of the financial year and are trading well.

#### **PROPERTY UPDATE: CROWN MELBOURNE – CLUB 23**

Club 23 is a sophisticated bar and lounge located on top of the new Mahogany Room. Best described as a ‘luxury lounge’ or ‘ultra lounge’, the new area hosts a fantastic bar, a balcony overlooking the Yarra River and city skyline, a private room and a small number of high end gaming tables. The official launch of Club 23 is on 7 November featuring Shane Warne and special guests.

#### **PROPERTY UPDATE: BURSWOOD – SKY GAMING SALON**

I would now like to show you some of the redevelopment and refurbishment work we have recently undertaken at Burswood. This slide shows the new Sky Gaming Salon which opened last week on the new roof top of the Intercontinental Hotel. This salon has been finished to the highest quality with stunning views across the Swan River and is amongst the best in the world. The first group of international VIPs played there on the weekend.

#### **PROPERTY UPDATE: BURSWOOD – GAMING FLOOR EXPANSION**

Significant progress has been made on planning for the expansion of the Burswood gaming floor to accommodate new gaming product. It is expected that the expansion will be completed in around 12 month’s time.

#### **PROPERTY UPDATE: BURSWOOD – NEW RESTAURANTS**

A number of new restaurants were opened during the year at Burswood including Neil Perry’s Rockpool Bar & Grill, the new Italian restaurant, Modo Mio and Japanese restaurant, Nobu. The Atrium Restaurant & Lobby Lounge at the InterContinental Burswood also had a major refurbishment. Initial customer response to these new restaurants has been very positive.

#### **PROPERTY UPDATE: BURSWOOD – INTERCONTINENTAL HOTEL UPGRADE**

The InterContinental Burswood hotel’s refurbishment program is on schedule. Room refurbishments on six floors have been completed representing about 60% of the rooms, with the balance of the rooms due for completion by mid 2012. Renovations to the reception and foyer areas were also finished during the year.

#### **PROPERTY UPDATE: BURSWOOD – PRESIDENTIAL SUITES**

This slide shows images of the Presidential Suite on level 10 of the Intercontinental Hotel with an additional Presidential Suite on Level 9 scheduled for completion in about six months time.

## **PROPERTY UPDATE: BURSWOOD – VVIP VILLAS UNDER CONSTRUCTION**

Work on the VVIP Villas is progressing well and expected to be completed in time for Chinese New Year. This VIP accommodation facility will be among the best in the world and will allow Burswood to better compete with the new wave of integrated resorts which have opened in Singapore and Macau.

## **PROPERTY UPDATE: BURSWOOD – SPA AND POOL**

This slide shows the progress of Burswood's new pool and spa facilities. The new pool complex will be completed in time for summer and will be the premier facility of its type in Australia.

## **MAJOR PROJECTS COMPLETION DATES**

This slide provides details of the scheduled completion dates for the major projects at both properties.

In summary, the \$2.2 billion redevelopment of Crown Melbourne and Burswood has already begun to generate revenue improvements for these businesses and will continue to drive EBITDA growth at our Australian properties as the balance of the program is completed.

The capital expenditure program at Crown Melbourne is expected to reinforce its position as a world class integrated resort, while the upgrades and expansion of the Burswood resort will create a property that can successfully compete against the new integrated resorts in the Asia region.

We also expect this capital expenditure will progressively deliver significant benefits to the Australian and Victorian tourism industries, as well as enhancing value for all Crown stakeholders.

Thank you all for attending today and I will now hand you back to James.

## **EMPLOYMENT AND TRAINING**

Thank you Rowen.

I believe, that as a result of our \$2.2 billion capital expenditure program, we will create two of the best integrated resorts in Asia, capable of attracting our share of the fastest growing tourism market in the world – China.

However, to be successful in this highly competitive industry, Crown needs more than world-class bricks and mortar facilities, we need to offer world-class service. To offer world-class service we need to continue to invest in our people – to recruit, to train, to develop and to retain the best talent within the industry in this region.

I am proud of Crown's record in continuing to be a major provider of employment and training opportunities to young Australians and would like to recap some of our achievements in this area.

## **EMPLOYMENT AND TRAINING ACHIEVEMENTS**

By way of background, we believe Crown Melbourne is the largest single-site private sector employer in Australia and Burswood is the largest single site private sector employer in Western Australia. Across the two properties, Crown directly employs almost 11,000 persons. A further 2,800 persons are employed by contractors and tenants on the two sites.

Crown offers access to training and development opportunities with over 500,000 hours of job training undertaken last year in Melbourne alone. For the past 16 years Crown Melbourne has operated a training facility known as Crown College. Last year we opened a new \$10 million purpose-built, state-of-the-art training facility for Crown College, further demonstrating Crown's commitment to continued investment in its employees.

In 2010, Crown Melbourne won the Australian Employer of the Year at the Australian Training Awards which is sponsored by the Federal Government to follow its win as Victorian Employer of the Year.

Crown Melbourne and Burswood are not only major employers of young people entering the workforce but both have an active employment plan in place for persons with disabilities.

## **INDIGENOUS EMPLOYMENT ACHIEVEMENTS**

In 2009, Crown was the first employer to sign the Australian Employment Covenant. Over the past 12 months, Crown's indigenous employment strategy, guided by dedicated employment coordinators, has facilitated a significant increase in our indigenous workforce. Over 145 indigenous Australians have now been employed across the Crown Melbourne and Burswood properties.

Crown's indigenous employment strategy is regarded as a best practice model for other employers across the country. The program boasts a high retention rate, with a significant number of people settling into permanent, secure employment and building strong careers.

This achievement was recognised recently when Crown received the Diversity Award for 2011 in recognition of our Indigenous Employment Program at the Fairfax Employment Marketing Awards as well as the 2011 'Private Sector Employer Award' for achievements in aboriginal employment at the Wurreker Awards. This follows the receipt by Crown in 2010 of the Award for Large Organisations for Employment and Inclusion of Indigenous Australians sponsored by Diversity @ Work.

I look forward to being able to provide you with further updates on our employment and training performance at future AGMs.

## **INTEGRATED RESORTS AND TOURISM**

At last year's AGM, I talked about Crown Melbourne and Burswood in terms of being significant tourism assets for Australia and I would like to return to this theme again this year.

Crown estimates that in F11, around one third of Crown's total revenue of \$2.4 billion was generated from international visitors (including international VIP program play customers). We believe this makes Crown the largest international tourism operator in Australia excluding the airlines. Equally importantly, Crown's focus is on tourism from Asia.

## **ASIAN TOURISM LED BY DEVELOPMENT OF INTEGRATED RESORTS**

The growth in high value Asian tourism is being driven by a new wave of integrated resorts throughout Asia. Increasingly, Asian Governments are recognising the significance of integrated resorts to grow international tourism.

Singapore has led the way most recently with two new resorts - Marina Bay Sands and Resorts World Sentosa - at a combined cost of around A\$13 billion.

In Macau, a number of high quality integrated resorts have been developed at a total cost of more than A\$20 billion and additional resorts with a total cost of more than A\$10 billion are in various stages of planning.

Multi-billion dollar integrated resorts are currently under construction in Vietnam and the Philippines.

The increase in the number of Chinese visitors into Singapore since the opening of its integrated resorts supports the proposition from Dr Marc Faber, well known investment analyst, that Chinese tourists value destinations that have a casino. He is quoted as saying: *"80% of Chinese travelling outside the country for the first time head for a casino and 90% of Chinese who travel to the US visit Las Vegas"*.

## **GROWTH IN CHINA'S OUTBOUND TOURISM**

Crown recognises the increasing importance of attracting Chinese tourists.

China's wealthy are spending increasing amounts of time and money on their quality of life, with luxury travel their leisure activity of choice.

By 2020, it is estimated that 100 million Chinese will travel abroad and total spending by Chinese outbound travellers will be worth more than US\$800 billion.

Tourism Australia estimates that the total inbound economic value of Chinese tourism is expected to contribute \$7 to \$9 billion annually by 2020.

Australia will have to compete in this increasingly competitive market, where over 140 countries have Approved Destination Status in China.

The best example of the competition facing Australia in this market is represented by Singapore.

### **SINGAPORE INTEGRATED RESORT - RESORTS WORLD SENTOSA**

Resorts World Sentosa was the first of Singapore's integrated resorts to open in late January 2010. It is a 49-hectare development on the island of Sentosa. As well as the casino, other key attractions include a Marine Park which hosts the world's largest oceanarium, a Universal Studio theme park and six luxury hotels.

### **SINGAPORE INTEGRATED RESORT - MARINA BAY SANDS**

Marina Bay Sands opened in late April 2010 at a cost of approximately A\$6.1 billion. It is located immediately adjacent to the Singapore central business district and includes the iconic ArtScience Museum, 300 retail stores and more than 2,600 hotel rooms.

### **SINGAPORE ECONOMIC BENEFIT**

Singapore's GDP increased by 14.5% in 2010, as tourism revenue increased 49% to S\$18.8 billion dollars in 2010 with hotel revenue increasing 21.8% year-on-year to S\$1.9 billion. Direct contributions from the two integrated resorts in the first nine months accounted for almost half of the tourism GDP in the same period.

### **MEDIA COVERAGE OF SINGAPORE INTEGRATED RESORTS**

The success of Singapore's two integrated resorts has received prominent global media coverage. This media coverage has been supported by the combined marketing efforts of the two resorts and the Singapore government itself.

### **SUPPORT FOR SINGAPORE'S INTEGRATED RESORTS**

In reviewing the impact Singapore's two integrated resorts had on the economy, Lim Boon Heng, Chairman of the leading political party of Singapore (PAP) and former Government Minister, recognised that the Singapore economy had significantly benefited from the integrated resorts. Lim had initially opposed the legalising of casinos during the casino debate in Singapore in 2005. However, after the first full year of operation, Lim acknowledged that the integrated resorts had created thousands of direct jobs and also spin-offs for the tourism sector, especially the travel, food and beverage industries, overall boosting the Singapore economy.

### **SINGAPORE INTEGRATED RESORTS - GOVERNMENT SUPPORT**

In order to ensure the continued success of its two integrated resorts, the Singapore Government provides tangible support.

The Singapore Tourism Board has set up a dedicated internal unit to promote and support the two integrated resorts. Images of the two integrated resorts are presented in all key brochures, television commercials and web-based advertisements generated by the Singapore Tourism Board.

The Singapore Government also facilitates the "fast-tracking" through airport, customs and immigration of visitors to the two integrated resorts.

### **MACAU INTEGRATED RESORTS**

Moving now to the integrated resorts in Macau.

Macau is the only area in China where casino gaming is legally permitted. Six operators are permitted within Macau and a number of high quality integrated resorts have been developed. Visitor numbers to Macau have increased from approximately 9.5 million in 2001 to an estimated 25 million in 2011.

Like the concerted and centralised support provided to the integrated resorts in Singapore, Macau's integrated resorts serve as a key focus in all of Macau's major marketing campaigns and on the Macau Tourism and Travel Guide website and all tourist information brochures.

## **MACAU INTEGRATED RESORTS (IMAGES)**

The image on the top left is the City of Dreams integrated resort. City of Dreams is owned and operated by Melco Crown Entertainment. City of Dreams is a luxurious integrated resort which features three hotels with a total of 1,400 hotel rooms, more than 20 restaurants and the Theatre of Dreams which features “The House of Dancing Water” show.

The Venetian Macau is the image to the right. It is the world’s largest casino and is another of the integrated resorts in Macau. The Venetian is operated by Las Vegas Sands which also operates the Marina Bay Sands integrated resort in Singapore.

Also pictured on this slide are the Galaxy and Wynn integrated resorts in Macau.

## **MACAU INFRASTRUCTURE IMPROVEMENTS**

The Macau Government is currently undertaking significant infrastructure developments in order to generate increased tourism – particularly to its integrated resorts. The scale of these projects is breathtaking and demonstrates a commitment by the Macau and Chinese Governments to developing tourism in Macau. One such project involves the construction of the world’s largest bridge from Hong Kong to Macau. Other projects include the upgrade of the Macau airport, new ferry terminals, high speed rail and light rail projects.

## **CASINO GAMING REVENUE INTERNATIONAL COMPARISON**

This slide provides an analysis of casino gaming revenue in the major markets for the period 2005 with a projection out to 2014.

In 2005, Las Vegas was the largest market followed by Macau. We have put the Australian market in the graph as a reference point.

In 2007, Macau overtook Las Vegas and today is more than five times the size of the Las Vegas market. Macau gaming revenue is projected to grow at a compound annual growth rate of 24.7% between now and 2014. Singapore opened its two casinos in 2010 and in 2011 is on track to overtake Las Vegas. Singapore is projected to grow at 14.9% per annum (CAGR) over the same period.

## **FURTHER LIBERALISING OF CASINO GAMING WORLDWIDE**

The next two slides show the current state of legalised casino gaming across the world and in the United States. As you can see, the number of countries that have legalised casinos is extensive and continues.

In the United States, the Massachusetts Senate has approved a bill that calls for the licensing of three casinos. Florida is considering measures to implement resort style casinos and New York City will shortly open its first casino.

In Asia, following the success of the integrated resorts in Singapore and Macau, the construction of new integrated resorts in the Philippines and Vietnam, Taiwan, and Japan are considering the issue of the legalisation of large integrated resorts.

To conclude this section of the presentation, I believe that Australia needs to meet the challenges and capture the opportunities that the fast growing tourism market from Asia, particularly from China, is presenting to this country. In order to progress this, it will be necessary for Federal and State Governments, the broader tourism industry and key Asian focused tourism operators such as Crown to work more closely together. I am repeating the call I made at last year’s AGM for these groups to work together and for governments in Australia to support an Asian focused tourism strategy.



## **FEDERAL GOVERNMENT POLICY AND TOURISM**

The Federal Government clearly has a role to play in shaping the competitive landscape of Australia's tourism industry. Of particular interest to Crown is the Federal Government's potential to influence the relative competitiveness of Australia's integrated resorts with their Asian competitors through its policies on:

- Direct flights to Australia from Asia;
- Ease of access to Australian visas;
- Tourism marketing policies; and
- Gaming regulation.

## **PROPOSED FEDERAL GOVERNMENT GAMING MACHINE REFORMS**

I would like to offer some general comments on the Federal Government's proposed entry into the area of gaming machine regulation which has previously been the domain of the State Governments.

This is an important issue that the Federal Government needs to get right if they are going to tackle problem gambling effectively.

It is not only important that the Government gets this policy right in order to protect problem gamblers, but it is also important to get this policy right because of the impact it will have on the gaming industry and Crown's stakeholders, including our customers, employees, our shareholders and of course, State and Federal Governments that receive our tax revenue.

I would like to remind you that Crown paid a total of \$680 million in F11 in taxes and levies to Local, State and Federal Governments – or double our F11 net profit after tax (NPAT) of \$340 million.

## **BACKGROUND TO PROPOSED GAMING MACHINE REFORMS**

Last year, the Prime Minister entered into a formal written agreement with Independent MP Mr Andrew Wilkie to implement a mandatory pre-commitment scheme that would apply to all players of gaming machines in Australia.

Subsequently, in May of this year, a Federal Parliamentary Committee chaired by Mr Wilkie recommended that players be given a choice between playing existing machines with mandatory pre-commitment or playing new "low intensity" machines with a \$1 maximum bet without mandatory pre-commitment.

The Federal Government has stated that it is preparing gaming reform legislation for introduction into Parliament next year. It is currently unclear whether that legislation will be confined to mandatory pre-commitment or also cover Mr Wilkie's latest proposal to introduce the option of "low intensity" machines with a 1\$ maximum bet.

Let me say upfront that we at Crown are concerned about problem gambling and always have been.

That's why over the last decade we've taken proactive initiatives to directly tackle problem gambling. I believe no one in this country, or in fact in the world-wide casino industry, has done more to address problem gambling.

## **CROWN'S EXISTING RESPONSIBLE GAMING INITIATIVES**

This slide outlines the current suite of problem gambling initiatives that are in place here at Crown today.

Crown introduced the first voluntary pre-commitment scheme in the casino industry in the world (Play Safe) in 2002 at Crown Melbourne whereby our loyalty program members can elect to set a daily expenditure limit and/or time limit on their gaming machine play. Over 20,000 players are currently participating in this program.

Crown established the first dedicated onsite counselling service for customers in the world, linked with 24/7 coverage of the casino floor by specialist Responsible Gaming Liaison Officers who interact with or intercept customers with gaming behavioural issues. More than 17,000 players have sought assistance from this counselling service since it was established some 9 years ago in Melbourne.

Members of Crown Melbourne's loyalty program who play gaming machines can obtain details of their playing history including their expenditure at any time on request. This service was used by around 400,000 players last year alone.

Crown Melbourne has operated a legally binding self exclusion scheme since its inception. More than 3,000 persons have utilised this scheme and voluntarily excluded themselves from Crown Melbourne.

I believe Crown has led the way in tackling problem gambling and we're prepared to do more.

We don't have an issue with the Federal Government taking action against problem gambling, but it must be the right solution.

In my view, there is no evidence that introducing mandatory pre-commitment or introducing a 1\$ maximum bet will be effective in tackling problem gambling but it will hurt recreational players and that will cost jobs and investment across the industry and cost the State Government tax revenue used for essential community services. It's not enough to identify the right problem, we need the right solution.

I'll now hand over to Rowen to elaborate further.

## **WHAT IS MANDATORY PRE-COMMITMENT?**

Thanks, James.

To assess the impact of the Government's proposal it is necessary to first understand what is meant by mandatory pre-commitment.

Under a mandatory pre-commitment system, gaming machines will only operate if a player uses a valid pre-commitment card and sets an expenditure limit, i.e. No Card means No Play. It will require identity verification of every player, i.e. No ID means No Card means No Play.

All gaming machine players will be required to set a limit on the amount of money they wish to spend on gaming machines. However, any player can opt to set as high a limit as they wish.

On reaching their selected expenditure limit, the machine will lock up and the player will be barred from playing any machine in their State for a specified time period, for example a 24 hour exclusion. Following that exclusion period they can then return to any venue to resume playing and, if they wish, set a new limit – again as high as they wish.

A mandatory pre-commitment scheme requires a State-wide database of player identities and their selected expenditure limits stored on a central computer connected to all venues in the State. The computer will need to validate cards, track the play of all players and enable or disable machines for play across the State depending upon whether or not expenditure limits have been reached.

## **CONCERNS WITH MANDATORY PRE-COMMITMENT**

Crown has a number of concerns with the proposed system of mandatory pre-commitment.

It is unclear how mandatory pre-commitment will reduce the expenditure of players who may be problem gamblers or at risk of becoming problem gamblers, as they will be able to set as high a limit as they like. We believe such persons will typically set high limits in order to avoid hitting that limit and being locked out from further play. If they do hit their initial limit, they can return after the lockout period and set a new higher limit to avoid being locked out again.

Automatically excluding those gaming machine players with problem behaviours in this way will not solve their problem but merely defer it for the period of the lockout. We believe there needs to be a more personalised approach involving direct assistance to players who may be problem gamblers rather than hoping a central computer will automatically solve their problem.

Large casinos like Crown Melbourne and Burswood have very high numbers of recreational and occasional players, including many international visitors. Requiring all such persons to obtain a pre-commitment card will make registration of such visitors extremely difficult, particularly at peak periods. We believe that on a busy weekend, when Crown has hundreds of thousands of visitors, recreational and occasional players are unlikely

to bother to queue to register for a pre-commitment card. Many will not have the requisite ID documentation on their person to satisfy the registration process.

In addition, we believe that those players concerned about the privacy issues associated with having their details stored on a State-wide database may well be likely to either discontinue playing gaming machines, reduce their level of play or switch to online, offshore casino sites which offer equivalent gaming machines for play.

There has been no assessment undertaken by the Federal Government on the likely impact of mandatory pre-commitment on the playing behaviour of problem gamblers or recreational players. Neither has there been any attempt to quantify the impact on revenue, employment or investment in the industry or its many stakeholders.

There is no current proposal from the Government to trial mandatory pre-commitment to see if it is effective in reducing problem gambling or to measure the extent of the consequential revenue and job losses. This should be an essential first step in any plan to introduce mandatory pre-commitment considering the casino industry plays such an important role in investing in Australia's tourism industry and given that it employs many tens of thousands of young Australians.

Mandatory pre-commitment has only been implemented in Norway (where they already have national identity cards) and it is in the process of being rolled out in Nova Scotia, a Province in the North East of Canada. The effectiveness of Norway's mandatory pre-commitment scheme is the subject of debate.

## **WHAT ARE LOW INTENSITY MACHINES?**

It is also important to understand what is meant by the proposal to introduce the option of "low intensity" machines.

The Federal Parliamentary Committee chaired by Mr Wilkie recently recommended that all venues be required to offer either:

- Existing machines with mandatory pre-commitment; or
- "Low intensity" machines which do not require a pre-commitment card; or
- A combination of both.

Under Mr Wilkie's proposal, low intensity machines would not need to be part of the mandatory pre-commitment system but will be restricted to a \$1 maximum bet limit, a \$500 maximum prize and a \$20 maximum "load up".

This compares to Australia's existing machines which typically have a maximum bet of either \$5 or \$10, and a maximum prize of \$10,000.

## **CONCERNS WITH LOW INTENSITY MACHINES**

Crown has a number of concerns with this latest proposal to introduce new machines with a \$1 maximum bet as an option to playing existing machines with mandatory pre-commitment.

Currently "low intensity" machines with a \$1 maximum bet do not exist in Australia or, to our knowledge, in other casino jurisdictions around the world (outside of casinos in the UK where there is a £2 (or A\$3) maximum bet).

Under Mr Wilkie's latest proposal, problem gamblers will still have the option to continue to play existing machines by registering for a pre-commitment card and setting as high an expenditure limit as they wish. We believe such players are likely to opt to play existing machines because that is what they have consistently played in the past.

We also believe there is no evidence that recreational and occasional players will play these new "low intensity" machines with a \$1 maximum bet to the same extent as they currently play existing machines.

On average, casino customers play machines with relatively higher bet limits as they tend to have relatively higher incomes and relatively higher discretionary spend. This is unsurprising as casinos typically have higher spend restaurants, hotels, entertainment and gaming offerings than pubs and clubs and attract international high-spend visitors.

According to the Australian Casinos Associations, more than 60% of gaming machine revenue in Australian casinos is derived from gaming machines where the average bet is greater than \$1.

As such, the introduction of low intensity machines with a \$1 maximum bet would have a major impact on casino revenues while problem gamblers are likely to continue to play existing machines as before.

In addition, “low intensity” machines will be costly to introduce. It will require a “start from scratch” design and the development, production and regulatory approval of an entire range of new games to comply with the proposed restrictions. It will then require all existing game software to be replaced across Australia.

Reduction in gaming machine revenue at casinos combined with the high cost of game replacement will result in reductions in casino employment and investment (including tourism infrastructure) and reductions in State Government Tax revenues.

Similar to mandatory pre-commitment, “low intensity” machines do not exist in any casino in the world (outside of the UK which has legalised online casinos which have no restrictions on their gaming machines). Again, there is no current proposal to trial such machines to assess their effectiveness in reducing problem gambling or to assess their impact on industry, employment and investment.

### **COUNTRIES WITH CASINOS THAT OFFER AUSTRALIAN STYLE GAMING MACHINES**

This slide illustrates the range of countries in the world that offer Australian style gaming machines. As you can see they are widely available across the world and are not just confined to Australia as is erroneously claimed by some.

### **COUNTRIES WHERE “LOW INTENSITY” LIMITS ARE IMPOSED ON GAMING MACHINES IN CASINOS**

This slide illustrates where “Low Intensity” limits are imposed on gaming machines in casinos. As you can see, the United Kingdom is the only casino jurisdiction in the world that has this type of restriction on its gaming machines.

### **UK HAS LEGALISED ONLINE CASINO GAMING INCLUDING VIRTUAL “HIGH INTENSITY” GAMING MACHINES**

Despite restricting gaming machines in UK casinos to a £2 maximum bet limit and a £4,000 maximum prize, online casino gaming has been legalised by the UK Government.

Online sites provide customers with sports betting, horse race betting, poker and casino gambling (including table games and Australian style gaming machines).

### **CASINO QUALITY GAME CONTENT NOW READILY AVAILABLE ONLINE**

There is a vast array of online casino gaming sites offered by corporate bookmakers, gaming machine manufacturers and specialist online casino sites.

The widespread availability of online casino sites that offer Australian style gaming machines provides an alternative option for those players who want to avoid mandatory pre-commitment or a \$1 maximum bet limit.

To conclude this section, Crown believes any Federal Government reform package should be built around measures that directly tackle those players with problems whilst not preventing recreational players from continuing to enjoy their chosen leisure activity.

A targeted package of measures directly focused on problem gamblers will be more effective than an unproven, untried and indiscriminate approach which adversely impacts on recreational players, industry revenue and jobs.

Going forward, Crown will continue to discuss with the Federal Government the shortcomings of the proposals to introduce mandatory pre-commitment and low intensity machines with a \$1 maximum bet. We would welcome the opportunity to assist in the development of a more workable and effective gaming machine reform package.

I will now hand back to James to conclude this presentation.

## **PRIMARY MANAGEMENT FOCUS**

Thank you Rowen.

Before moving to the formal business of this meeting, I would like to reiterate that Crown's focus in the coming year will be on continuing to maximise the performance of Crown Melbourne and Burswood, and to manage the substantial capital expenditure programs at both properties. We will also continue to assist Melco Crown Entertainment to further build the value of the Macau business.

I would like to thank my fellow Board members for their collective efforts during the year and, on behalf of the Board, and to thank Rowen and all Crown management and employees and for their dedication and hard work. I would also like to thank you, my fellow shareholders for your continued support.

We will now move to the formal business of the meeting.

## **ENDS**

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## **COPIES OF RELEASES**

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